

Issue 179 November 14, 2005

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## WHEN THINGS GO WRONG

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When things go wrong in an asset intensive agency, it is nearly always because of the assets—what else?

In some way all of the articles in this issue are related to 'when things go wrong'

Duncan Mbonzana, of the South African electricity supply company, ESKOM, a company rated highly by its customers, gives ideas on how to use your annual report to build "**Reputational Capital**" that can be drawn down in safety when the inevitable happens. For the Strategic Leadership. (page 1025)

Asset management is one of those disciplines that brings together the past, present and future. And a good example of this is "**Something remarkable happened**" on our back page (1030)

Did your last consultancy project go over time and budget? Did it give you the answers you wanted? What can you do to prevent it 'going wrong' again? Some ideas from those who have 'been there, done that' can be found in "**Before you Place that Ad!**" For the Practitioner. (page 1027)

In "What's the Big Idea" this week, we take up the challenge laid down by John Scott, the Technical Director of Ofgen, the electricity regulator in the UK. He argues that "**Professional Engagement is at a Low Ebb**" Briefly we give the evidence, the arguments why, what is being lost as a result. Your comments on what can be done about it will be welcomed—and published! (page 1028)

Enjoy!

*Penny Burns*

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### When the public service went 'commercial'

When governments lost the idea of 'public service' and replaced it with the idea of 'government as big business' many professionals struggled to cope with what they saw as a focus on the short run and the measurable at the expense of quality and service. That struggle is, I suspect, now over. Those who could not cope with the lowering of standards, left. Others adopted the newer approaches.

### Professional Engagement

John Scott, the Technical Regulator of Ofgem, the electricity regulator in the UK, now notes that 'while companies have become more efficient, their internal processes have become more mechanistic with a dominant short-term focus. He notes that 'Professional engagement is currently at a low point'. See "What's the Big Idea: Professional Engagement" on page 1029

As he discussed the problems that he was finding in the electricity industry in the UK, he found that decline of professional engagement extended far wider than the electricity industry. You may also feel that it is also wider than the UK. Your comments on this issue – do you believe this to be important and, if so, what can be done about it – are welcome as always.

### A Sign of the Times

A new website has been created in the United States; the Asset Management Source for North America offers information, training, conferences, on asset management and

regulation in North America, for a fee. I was unable to find any background on the AMSNA, its personnel or its credentials; the website provides none. Not exactly professional, still, if you are curious you might like to give it a look.

### And a sadder Sign of the Times

Word is that the Canadian InfraGuide (see SAM 170) may not get the funding it needs from Federal Sources and may, itself, need to 'go commercial'. If I were you, I would find the time to look at this excellent site sometime soon – while you still can. <http://www.infraguide.ca>

### But still there is some Good News!

The first – and still the best! – the public resources of AMQ International's "Emerging World of Asset Management" are free, have always been free, and will remain free. <http://www.amqi.com> is designed for the Asset Manager in his/her role as a professional.

In addition, <http://www.acorninc.org> is designed for the Asset Manager in her/his role as an active and interested member of the community, concerned to build a better world tomorrow through the asset management decisions we make today. And this is free as well!

If you believe in professionalism, if you believe in community, do contribute to both of these sites – they are there for you, and those you care about.

## Governance, Risk and “Reputation Capital”

From a presentation by Duncan Mbonzana, Eskom, South Africa

### When Things Go Wrong

When things go wrong in a capital-intensive industry, nine times out of ten, it is because of something that has happened to, with, or by the assets. But it is ten times out of ten that you will need the support of others to repair the damage. And by this I mean not only the physical damage, but the social and environmental damage and the damage to your reputation. When things go wrong, there is a drain on your “Reputation Capital” – unless its starting balance is high, even minor problems can create a situation from which you may not be able to recover. Major corporations know this and they have entire departments devoted to protecting their brand or image.

### Reputation Capital

Government organisations can do much to insure that their starting capital balances are high. The ideas in this article are from a presentation on Governance by Duncan Mbonzana of Eskom, the state owned electricity supply enterprise in South Africa. In 2004 this corporation was voted South Africa’s most admired brand and won the Grand Prix award for the company that had done the most to uplift the lives of South Africans. Duncan Mbonzana’s address was the most enthusiastic and cogent presentation of the ideas of governance that I have had the pleasure of hearing and he clearly understand the link between governance and asset management.

## Using Your Annual Report to Boost Credibility

**What really counts?** Background research for “The Power of Governance” revealed the following.

Khoza RJ and Adam M (2005) *The Power of Governance: Enhancing the Performance of State-Owned Enterprises*, Pan Macmillan and Business in Africa: Johannesburg \*

FACTORS THAT BOOST CREDIBILITY	RANK
Reporting on non-compliance, poor performance or significant challenges	1
Comprehensive performance metrics (eg safety record, diversity, performance, etc)	2
Third party certification by socially responsible specialty consultancy	2
Third party certification by independent professional services firm	4
Standardisation and comparability—reporting done consistently across companies	4
Third party commentary by NGO or special interest group	6
Public commitment from Chairman/CEO	7
Public commitment from Board of Directors	8
Case studies or anecdotes that describe how a company is fulfilling its objectives	9
Input from independent research centers, academics and scientists	10

## Reputation Capital—Reporting Musts

From ESKOM, a company that has been recognised as doing it well!

### Structure

- Focus on Issues
- Communicate policies that drive performance
- Provide performance metrics
- Engage with key stakeholders
- Undertake third-part verification



### Do you focus on the issues?

*Remember more people read the pictures than read the words – and those that read the words, read the pictures first! What are your pictures saying? Are they showing issues (ie outcomes of interest to the community) or are they showing process? Worse, are they showing pictures of suits?*

### Tone

- Be truthful—reporting failures will make the claims of success more credible
- Use plain language and avoid jargon
- Say what you mean - do not overstate claims or obscure problems



### Do you avoid reporting failures?

*Or if you do report them, do you look for something positive (even if it happened only accidentally) that can be said in mitigation?*

*It might be better not to try to make a bad situation look brighter? – Audiences these days are very sensitive to spin; spin-free reporting is as rare as it is welcomed.*

### Targets

- Engage your audiences as a way to identify and understand them
- Provide the right information to the right people
- Match language to the audience
- Make the reporting compelling in ways that bring the subject to life
- Distribute your report, preferably in the forms your audience prefer

### Who is the audience for your Annual Report?

*What will make your staff feel included and 'warm and fuzzy' will focus on the supply side.*

*Your clients, customers, ratepayers, on the other hand will want to know about outcomes.*

*The days of the 'one size fits all' annual reports may well be numbered – fortunately new technology makes it easier to speak to each audience in its own language and with its own focus.*

## Before you place that Ad!

The Consultancy Project: You've written the brief, now what do you do?

ACORN Inc.

*Some comments from the experiences of ACORN Inc. members— Please add to the store of knowledge— copy these pages, add your comments and fax to 08 8281 5795, no cover sheet necessary. Or email [nut@acorninc.org](mailto:nut@acorninc.org) Your help will be acknowledged on the ACORN Inc website "At Your Service" Briefing Notes for those new to managing an AM consultancy project. (See also last issue)*

### Don't blow this opportunity to get and keep your corporation on side!

You will need a Selection Panel to choose the consultant and a Steering Committee to steer the project. They may be the same or they may be different. This is your opportunity to introduce other members of the corporation to asset management, so make it a positive experience for them.

- Convey to them the outcomes that you want to achieve, why they are important for the whole corporation, what will happen as a result of a successful project
- If others are going to be needed to use ,or implement ,or work with, the results of this study, consider having their representative on the Selection Panel/Steering Committee
- Give team members time to organise their diaries and *then try stick to the dates agreed*
- *Be aware that without good planning and organisation, the internal costs of consultancies can be as much, even more, than the external costs*

### Why are you going out to consultancy for this project?

- You know precisely what you want and how to do it and you have the talent—you just don't have enough of it right now (Your need is for arms and legs)
- You know precisely what you want—but you don't know how to get it (You need general industry 'how to' )
- You know roughly what you want— but you are

not sure (You need help in defining the problem—maybe when the problem is clearly defined it will prove to be something that can be done in-house, maybe not.)

- You know the answer but you need the clout that an external consultant will bring.

### Two practices that lead to poor outcomes

- You are unsure what you want, or whether you want anything at all, you just want to know what's out there, in other words, a 'fishing expedition' - some organisations claim that they have a project in mind just to see how the industry will respond. This is inefficient for both organisation and industry. A better alternative is to design the project as one seeking to know 'the state of play'.
- You have the staff but are unsure of what to do, so you put out a consultancy to get the ideas and then do them in-house. What better alternatives might there be?

Being clear on WHAT you want the project to do and WHY you want an external consultant will help you to identify the KIND of consultancy team that you need for this project—a large (but expensive) management consultancy; a general purpose engineering consultancy, a small, and flexible innovative team.

If you are clear on what it is that you need, you can write the AD to attract the right kind of consultant and save yourself a lot of time filtering out those not suitable.

## Organising your team

You have chosen your Selection Panel and your Steering Committee.

You will also need

- a Project Manager
- Someone to receive—and acknowledge—the applications.
- Someone to answer questions (see below)

## The Selection Process

- Decide how you want to arrange for consultant briefings
  - **Are you going to have someone answer questions individually?**
- If so, you need to ensure that this person will be available most of the time, and not 'on a course' or 'on leave' during the two or three week preparation period (or have a 'standby' person readily available if this is inevitable, with the phone diverted to them.)
- 
- do you intend to make the answers available to all? How?
- **Or are you going to arrange for a collective briefing?**
- In this case, you need to decide where and when and book a room. This information can then be included in the ad or the hand out materials.
- Who is going to present at this session? You will need to get this booked into their diary

### *Advantages of collective briefing*

Everyone gets the same information  
Your time commitment is less

### *Disadvantages of collective briefing*

A big time commitment for potential consultants, especially those from out of town.  
How do you handle those inevitable questions that crop up afterwards?

## Answering Questions

Whichever form you choose, anticipate the questions that will arise and have the answers ready

## Interviewing

Are you going to interview all who apply or do a pre-selection?

- If a pre-selection, what are the criteria you will apply to the pre-selection?
- Have these criteria been listed in the brief?
- For accountability – or a Freedom of Information request – ensure that the performance of each proposal is clearly documented against the pre-selection criteria

## Selection Criteria

This will be in the brief but you may wish to prepare a more detailed set of criteria to help in the selection process.

## Checklist

- Does the project have a budget?
- Has the project the necessary in-house approvals?
- Have you chosen the Selection Team/ Steering Committee?
- Are the necessary dates in their diaries?
- Have you booked the rooms you will need?
- Have you prepared the Selection Criteria checklist?

## What else?

**Experienced Asset Managers!**  
Please add to this advisory note  
Nut@acorninc.org  
Or fax 08 8281 5795

## What's the Big Idea?

### Professional Engagement is at a Low Ebb

**John Scott.** Is the Technical Director, of Ofgem, the UK Electricity Energy Regulator, and the Chair of IEE Professional Network. He spoke on current state of professional engagement at the recent IQPC Infrastructure Asset Management Exchange in London. Although his interest is in engineering and he speaks here of engineers, he recognises in his discussions on this subject that the issue extends beyond the electricity energy industry. *My feeling is that it extends beyond engineers to other professions, and beyond the UK to other countries.* **Your comments?**

#### Evidence?

- Sparse engineering representation at events and seminars
- Little authorship of papers or articles to journals and conferences
- Only a trickle of applications for Chartered Institution membership
- At a corporate level, companies have almost no engineering profile

An 8 page extension of this discussion can be found in Appendix 8 of "The Way Ahead" a report on the future of electricity networks.

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11732\\_TA.pdf?](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11732_TA.pdf?)

#### Why is this?

- While companies have become more efficient, their internal processes have become more mechanistic with a dominant short-term focus.
- Engineers are working in silos; time allocation is often recorded and rigid personal objectives do not include wider engagement
- The silo mentality says "It's not my job to think more widely – and I'll be criticised if I do". Wider engagement is not viewed as the real job.
- There is limited personal discretion and trust has been eroded – so people are cautious about doing things differently
- It is not unusual for engineers to have to book holiday to attend seminars or attend committee meetings of Professional Bodies.

#### What is the Business Value that is being Lost?

- Breadth of skills and experience brought into the business; network of contacts, sector intelligence
- A quality self-check and external reference point
- Avoiding known pitfalls; access to historical knowledge that may have been lost in the company
- It stretches people; refreshed skills and enthusiasms are taken back to the company; revitalises commitment to professional standards; a source of job satisfaction and staff retention.

#### But, to be clear....

- This is not about forming cartels or breaching company confidentialities ; it applies fully in competitive and regulated business contexts
- Colleagues may view these activities as peripheral to core and not contributing to shared short-term goals.
- The issues here are behavioural – lasting improvement cannot be achieved from below or from middle ranks; if sustained change is desired, leadership will be required from those at the top.

## Something Remarkable Happened

You may have read about it— Sunday, 30 October, was the re-consecration of the reconstructed Frauenkirchen in Dresden— destroyed in the Second World War.

This story has many remarkable features for historians, music lovers and those who simply regret the acts of war. But it has some special features for us as Asset Managers.

The Frauenkirche, which had once dominated the skyline of the elegant and famous pre-war Dresden, lay in ruins for 45 years. Popular sentiment initially discouraged the authorities from clearing the rubble away and later the authorities left it as a symbol of British aggression.

After the fall of the wall, a major international fund raising and reconstruction effort was mounted. It took ten years and cost \$US 218 million—of which about half was funded by donations from ordinary concerned citizens of Germany, the UK and the USA and around the world. This is, in itself, pretty remarkable,

But the most remarkable parts of the story for me were

### We had the knowledge

It is estimated that there were drawings and specifications for about 60% of the interior and exterior and complete and accurate scale drawings for the pipework of the famous Gottfried Silbermann organ built between 1732 and 1736! So much documentation for a 200 year old asset! How many of us could say as much for assets that are far younger?

### We had the will

When we speak of the Quadruple Bottom Line, or (in New Zealand) the Four Well beings– Economic, Environmental, Social and Cultural - most of our focus is usually on the Economic and Environmental. *Social and Cultural Well beings have tended to miss out.* But this is an example of an exercise that was carried out by dedicated individuals, in concert, with their own money, over a long period of time –for social, cultural and spiritual goals.



As I saw it on 9th October 2005, three weeks before the re-consecration, and below, as a rubble strewn remembrance..

